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C O N F I D E N T I A L RIYADH 000355

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TAGS: [PREL](#) [EAID](#) [KWBG](#) [GCC](#) [SA](#) [EG](#) [SY](#)
SUBJECT: SAUDIS SEPARATE GAZA RECONSTRUCTION FROM PA SUPPORT

REF: JHARRIS EMAILS 2/23 AND 2/24/09

Classified By: PolCounselor Lisa Carle, 1.4(b), (d)

11. KEY POINTS

-- (U) A February 22 meeting of GCC foreign and finance ministers in Riyadh Gaza decided to establish a "common program for the reconstruction of Gaza open to all Arab countries" in cooperation with the Islamic Development Bank in Jeddah.

-- (U) Program funds will be given directly to reconstruction projects and not to Palestinian parties or factions. Initial funding would include \$1.2 billion pledged by Saudi Arabia and Qatar.

-- (C) A Saudi Finance official confirmed February 24 to visiting treasury DAS Mendelsohn that the Saudis have decided to treat Gaza reconstruction separately from budgetary support for the Palestinian Authority (PA).

-- (C) The Saudis told Egyptian FM Aboul-Gheit they remain firmly behind Egyptian efforts at Palestinian reconciliation, but that a step forward is needed before the Sharm-el-Sheikh conference.

-- (U) Saudi media reported that Syrian FM al-Muallim paid a three-hour visit to Riyadh Feb.24 bearing a letter from President Assad to King Abdullah.

12. COMMENT

-- (C) The GCC decision to establish a 'neutral' Gaza reconstruction fund and the Muallim visit are evidence the Saudis are pressing for a breakthrough on Arab rapprochement in advance of the Doha Arab League summit. But these events could indicate the Saudis are also receiving pressure to act to avoid another messy airing of Arab differences at Doha. Because Doha is a regularly scheduled summit, the Saudis likely have less room to maneuver than they did in Kuwait.

-- (C) The GCC agreement does not mean the Saudis are unwilling to contribute to the PA, but it appears to mean that any funds for the PA will not come from the \$1 billion Kuwait pledge, and that the Saudis do not want to give the PA an exclusive franchise for reconstruction at the expense of Arab unity.

BACKGROUND

13. (U) Initial funding for the GCC/IDB reconstruction program would consist of the \$1 billion pledged by Saudi King Abdullah in Kuwait and a \$250 million pledge from Qatar. Other GCC members also committed to contribute. GCC Secretary General al-Attayah said "the capital of this fund is to be determined during the international donors conference" in Sharm-el-Sheikh.

14. (C) Post's working level contact in the MFA Palestinian Department confirmed the decision that funds from the GCC/IDB facility would not go through the Palestinian Authority; rather, he said, reconstruction funding would be given to "whoever needs it."

15. (C) Vice Chairman of the Saudi Fund for Development al-Bassam made clear to DAS Mendelsohn that the Saudis have decided to separate Gaza reconstruction from support for the PA, and that funds pledged for reconstruction efforts would not go toward the PA budget. Saudi Deputy Finance Minister al-Bazai indicated to Post in an earlier meeting that Saudi funds for the PA budget would be provided directly to the PA. Separately, an Egyptian Embassy contact told Post a proposed Arab League fund for Gaza has been put on hold until the Sharm-el-Sheikh conference.

16. (C) Egyptian FM Aboul-Gheit and Intel Chief Soliman paid a brief visit to Riyadh February 17. An Egyptian Embassy contact said the Saudis told Aboul-Gheit they expect a breakthrough on Arab rapprochement, as they see Syria slowly moving away from Iran. The Saudis said they see Syria as the weak link in the chain, in part because Syria's alliance with Iran is only tactical, not strategic, so the Saudis are focusing on peeling Syria away from Iran. The contact added that Egypt shares this analysis and also sees Hezbollah moving closer to Iran and away from Syria, which could improve chances for Syria/Saudi reconciliation.

17. (C) In turn, Aboul-Gheit was confident something would be achieved soon on Palestinian reconciliation because the Egyptians see Fatah as weakened by the latest violence, with reconstruction as its only card to play. Aboul-Gheit was less sanguine about prospects for a Gaza cease-fire following the Israeli elections, but told his hosts a cease-fire was not prerequisite for the Sharm-el-Sheikh conference.

18. (C) Muallim's visit follows on the recent public visit to Damascus by Saudi Intelligence Chief Prince Muqrin. Saudi media also reported that Saudi business tycoon Prince Alwaleed bin Talal met Syrian President Assad in Damascus February 24. Prince Alwaleed does not hold a government post, but has served as an informal Saudi envoy on issues related to Lebanon.

FRAKER